

AR49

file pls.

Sayvette

1972 ANNUAL REPORT

REPORT TO THE SHAREHOLDERS

I am enclosing the audited financial statements of your Company for the year ended December 30, 1972.

1972 was a difficult year for Sayvette. Loss before extraordinary items of \$979 thousand (30¢ per share) compares with a profit of \$226 thousand (7¢ per share) as restated for the previous year. In accordance with good accounting practice, potential future tax reductions of approximately \$500 thousand relating to 1972 have not been reflected in the accounts; these tax reductions will be reflected in future years as realized.

Extraordinary items of \$614 thousand, consisting principally of the gain on the sale of the York Trading wholesale grocery division, served to reduce the loss to \$365 thousand (11¢ per share).

Sales of the retail division of \$26 million were 20% higher than in 1971. Tighter margins reflecting competitive market conditions in the face of rising unit costs resulted in a loss from operations in spite of increased sales.

As outlined in note 9 to the financial statements the accounting policy relating to the cost of new store openings and store expansions was changed. Such costs are now written off in the year incurred as opposed to being amortized over future years. The effect of this change in 1972 was immaterial.

As of October 28, 1972, the York Trading wholesale grocery division was sold to Loblaw Groceterias Co., Limited for cash resulting in a profit of \$587 thousand after provision for income taxes. This divestment will substantially improve working capital and permit concentration on the Company's traditional business.

Working capital of \$5.2 million at December 30, 1972 compared with \$4.3 million a year ago. Short term deposits less bank advances totalled \$1.4 million – an improvement of \$2.6 million during the year.

Substantial changes in management personnel have been made with a view to introducing new and more progressive policies.

The first quarter of 1973 resulted in a loss of \$597,669 compared with a loss of \$251,800 for the same period in 1972. In large measure, inventory clearance sales and promotional programs aimed at improving merchandise selection and Company image caused this unfavourable comparison.

While a period of adjustment will be experienced, your new management is confident that the Company will restore profitability.

On behalf of the Board,

Toronto, Canada
June 8, 1973

J. A. WATSON
President

Directors

A. W. K. Besant
G. W. Darby
Fraser Deacon
G. C. Metcalf
D. A. Nichol
W. S. Robertson
J. A. Watson
W. Galen Weston

Officers

J. A. Watson, *President*
G. W. Darby, *Vice-President and General Manager*
E. Kakino, *Vice-President, Merchandising*
J. H. Farrell, *Vice-President, Real Estate Operations*
R. A. Lindsay, *Secretary-Treasurer*

Registrar and Transfer Agent

Canada Permanent Trust Company

Auditors

Thorne Gunn & Co.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 30, 1972

1. BASIS OF CONSOLIDATION

The consolidated financial statements for 1971 and for 1972 until October 28, 1972 include the accounts of the subsidiaries, Sayvette (Ontario) Limited and York Trading Limited. On October 28, 1972 the company sold York Trading Limited and the York Trading wholesale division to its parent company Loblaw Groceterias Co., Limited for \$4,313,456 which resulted in a net profit on sale of \$587,000.

2. ACCOUNTS RECEIVABLE

Included in accounts receivable are amounts aggregating \$88,770 (1971 – \$67,349) receivable from affiliated companies.

3. INVENTORIES

Inventories are stated at the lower of cost and market. Market is defined as selling price less normal gross profit for retail inventories and for 1971 only as net realizable value for wholesale inventories.

4. FIXED ASSETS

	1972		1971
	Cost	Accumulated depreciation	Net
Fixtures and equipment	\$3,035,904	\$1,470,744	\$1,565,160
Leasehold improvements	1,428,271	702,464	725,807
Land			38,058
Buildings			224,189
Automotive equipment			89,532
	<u>\$4,464,175</u>	<u>\$2,173,208</u>	<u>\$2,290,567</u>

Fixed assets are being depreciated on a straight-line basis over their estimated useful life.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are amounts arising from trade accounts and other current transactions aggregating \$217,542 (1971, \$197,000) payable to affiliated companies.

6. CAPITAL STOCK

Options to employees which may be exercised up to December 31, 1973 are outstanding on 10,450 shares at \$3.70 per share. During the year options on 51,400 shares were exercised for a consideration of \$190,180 cash.

7. LONG-TERM LEASES

The aggregate minimum rentals under long-term leases on premises and equipment (extending beyond five years from the balance sheet date) in effect at December 30, 1972 are as follows for each of the periods shown:

Period	
1973 – 1977	\$11,825,000
1978 – 1982	11,333,000
1983 – 1987	9,952,000
1988 – 1992	9,626,000
1993 – 1997	8,867,000
After 1997	2,753,000
	<u>\$54,356,000</u>

Certain of the leases provide for renewal options and/or options to purchase at specified amounts. The rent paid in 1972 under long-term leases was \$1,935,105 (1971, \$1,381,695).

8. INCOME TAXES

Amounts available to be claimed against taxable income in future years, the tax effect of which has not been reflected in the accounts, are approximately as follows:

Tax loss carry forward expiring December 1977	\$1,468,000
Excess of un depreciated capital cost over net book value of depreciable fixed assets	1,312,000
	<u>\$1,780,000</u>

https://archive.org/details/Sayv2701_1972

SAYVETTE LIMITED

(Incorporated under the laws of Canada)

and subsidiary companies

CONSOLIDATED BALANCE SHEET – DECEMBER 30, 1972

(with comparative figures at December 25, 1971)

ASSETS	1972	1971*
CURRENT ASSETS		
Cash		\$ 389,146
Short term deposits	\$ 2,000,000	
Accounts receivable (note 2)	358,552	1,050,522
Inventories (note 3)	6,464,648	9,898,948
Prepaid expenses	270,175	387,577
	<u>9,093,375</u>	<u>11,726,193</u>
SECURED LOANS AND ADVANCES		94,809
MORTGAGE RECEIVABLE		200,000
FIXED ASSETS (note 4)	2,290,967	3,023,618
	<u>\$11,384,342</u>	<u>\$15,044,620</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank advances	\$ 598,347	\$ 1,593,294
Accounts payable and accrued liabilities (note 5)	3,060,842	5,438,937
Taxes payable	279,543	371,454
Principal due within one year on mortgage payable		1,648
	<u>3,938,732</u>	<u>7,405,333</u>
INTEREST OF MINORITY SHAREHOLDERS in subsidiary company		19,144
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 6)		
Authorized—4,000,000 shares without par value		
Issued —3,284,330 shares (1971, 3,232,930 shares)	11,008,390	10,818,210
DEFICIT	3,562,780	3,198,067
	<u>7,445,610</u>	<u>7,620,143</u>
	<u>\$11,384,342</u>	<u>\$15,044,620</u>
Long-term leases (note 7)		

Approved by the Board

James A. Watson, *Director*

A. W. K. Besant, *Director*

*Restated as set out in note 9.

AUDITORS' REPORT

To the Shareholders of Sayvette Limited

We have examined the consolidated balance sheet of Sayvette Limited and subsidiary companies as at December 30, 1972 and the consolidated statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 30, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles which after giving retroactive effect to the change in accounting for deferred expenses explained in note 9, have been applied on a basis consistent with that of the preceding year.

Toronto, Canada
April 9, 1973

THORNE GUNN & CO.
Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 30, 1972 (with comparative figures for 1971)

	1972	1971*
Gross sales less returns		
Sayvette retail division	\$25,893,718	\$21,594,833
York Trading wholesale division	25,169,104	29,084,437
Licensee sales	8,024,584	7,520,930
	59,087,406	58,200,200
Cost of sales, selling and administrative expenses other than the undernoted	59,376,826	57,088,248
	(289,420)	1,111,952
Interest	227,531	149,753
Depreciation	522,581	496,738
	750,112	646,491
Income (loss) before income taxes and extraordinary item	(1,039,532)	465,461
Income taxes (reduction)	(60,661)	239,589
Income (loss) before extraordinary items	(978,871)	225,872
Extraordinary items		
Profit on sale of wholesale division and subsidiary company less related income taxes of \$63,000 (note 1)	587,000	
Profit on sale of fixed assets	27,158	258,211
Income tax reduction realized on loss carry-forward		239,500
	614,158	497,711
Net income (loss) for the year	\$ (364,713)	\$ 723,583
Earnings (loss) per share		
Income (loss) before extraordinary items	(30¢)	7¢
Net income (loss) for the year	(11¢)	22¢

CONSOLIDATED STATEMENT OF DEFICIT

YEAR ENDED DECEMBER 30, 1972 (with comparative figures for 1971)

	1972	1971*
Balance at beginning of year		
As previously reported		\$ 3,611,014
Adjustment for retroactive change in accounting for deferred charges (note 9)		310,636
As restated	\$ 3,198,067	3,921,650
Net income (loss) for the year	(364,713)	723,583
Balance at end of year	\$ 3,562,780	\$ 3,198,067

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 30, 1972 (with comparative figures for 1971)

	1972	1971*
Source of funds		
Operations		
Net income (loss) for the year	\$ (364,713)	\$ 723,583
Items not involving current funds		
Depreciation	522,581	496,738
Other	270	1,775
Profit on sale of fixed assets	(27,158)	(258,211)
	130,980	963,885
Proceeds from sale of fixed assets	117,978	302,518
Issue of shares	190,180	
Proceeds from sale of wholesale division and subsidiary company less their working capital of \$2,698,804 at date of sale	899,778	
	1,338,916	1,266,403
Application of funds		
Additions to fixed assets	505,133	392,848
Mortgage receivable		200,000
Increase in secured loans and advances		8,940
Reduction in mortgage payable		1,648
	505,133	603,436
Increase in working capital	833,783	662,967
Working capital at beginning of year	4,320,860	3,657,893
Working capital at end of year	\$ 5,154,643	\$ 4,320,860

*Restated as set out in note 9.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

YEAR ENDED DECEMBER 30, 1972

9. CHANGE IN ACCOUNTING FOR DEFERRED CHARGES

Prior to 1972 the company's policy was to defer certain new store pre-opening expenses and expenses incurred under the store expansion programme and amortize them in future periods. Commencing in 1972, the company has adopted and applied retroactively, the policy of expensing such charges in the year in which they are incurred. Accordingly, the comparative figures for 1971 have been restated from amounts previously reported to reflect an additional charge of \$438,101 to earnings for that year and a charge of \$310,636 to the deficit account at December 26, 1970, being the adjustment relating to 1970 and prior years. The effect of this change on the results of operations for the current year is immaterial.

10. SUBSEQUENT EVENT

Effective January 1, 1973, the company acquired from its parent company, Loblaw Companies Limited, all the issued shares of Hawkhurst Investments Limited for \$500 and satisfied liabilities of that company aggregating approximately \$960,000 owing to an affiliated company. The assets of Hawkhurst Investments Limited comprise mainly retail premises, of a book value of approximately \$2,318,000, which are occupied by Sayvette Limited.

11. OTHER STATUTORY INFORMATION

	<u>1972</u>	<u>1971</u>
Number of directors	8	7
Aggregate remuneration of directors as directors	Nil	Nil
Number of officers	6	5
Aggregate remuneration of officers as officers	\$ 153,094	\$ 96,796
Number of officers who are directors	3	2

AR49

REPORT
TO THE
SHAREHOLDERS
OF
**SAYVETTE
LIMITED**
FOR
SIX MONTHS
ENDED
JULY 1, 1972

TO OUR SHAREHOLDERS:

Attached below are your Company's Consolidated comparative unaudited Statements of Income and Source and Application of Funds for the six months ended July 1st, 1972.

Net Sales increased 17.8% in 1972, compared to 1971. The three stores opened late in 1971 appear to be following the normal Department Store pattern of taking time to become profitable. This constitutes an extra load for the other stores to carry, and combined with the continuing discount price program by the major super-market chains, adversely affected the first six months operations.

While the Company always has a non-profit period for the first six months, a comparison of the twelve months ended July 2nd, 1972, with the like period of 1971, is encouraging.

	<u>Six Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>July 1st 1972</u>	<u>June 26th 1971</u>	<u>July 1st 1972</u>	<u>June 26th 1971</u>
Net Sales	\$29,499,877	\$25,039,522	\$62,726,686	\$55,493,219
Net Profit (Loss)	(\$ 326,017)	(\$ 213,375)	\$ 1,116,937	\$ 1,017,363

One new store is under construction in Windsor and is scheduled to open in November 1972.

With continuing stringent expense controls, present sales trends, and excellent co-operation of our strong staff, operations for fiscal 1972 should see the profit trend of recent years maintained.

August 25th, 1972.

"A. Gold"
President

(UNAUDITED)

SAYVETTE LIMITED INTERIM CONSOLIDATED STATEMENT OF INCOME

	<u>Six Months Ended</u>	
	<u>July 1, 1972</u>	<u>June 26, 1971</u>
Sales.....	\$29,499,877	\$25,039,522
Profit before the undernoted.....	\$ 74,199	\$ 85,797
Interest.....	145,015	87,720
Depreciation and Amortization.....	255,201	211,452
Loss for Period.....	<u>\$ 326,017</u>	<u>\$ 213,375</u>

INTERIM CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	<u>Six Months Ended</u>	
	<u>July 1, 1972</u>	<u>June 26, 1971</u>
Source of Funds		
Items not involving Current Funds		
Depreciation and Amortization.....	\$ 255,201	\$ 211,452
Deferred Charges.....	216,320	—
Issue of Shares.....	132,368	—
	<u>\$ 603,889</u>	<u>\$ 211,452</u>
Funds Applied		
Loss for Period.....	\$ 326,017	\$ 213,375
Mortgage Receivable.....	81,303	63,207
Deferred Charges.....	—	86,598
Addition to Fixed Assets.....	97,915	124,217
	<u>\$ 505,235</u>	<u>\$ 487,397</u>
Increase (Decrease).....	\$ 98,654	\$ (275,945)
Working Capital Beginning of Period.....	4,320,860	\$ 3,657,893
Working Capital End of Period.....	<u>\$ 4,419,514</u>	<u>\$ 3,381,948</u>